



CITADEL

Group of Funds

Citadel Diversified Investment Trust

Citadel S-1 Income Trust Fund

Citadel HYTES Fund

Citadel SMaRT Fund

MYDAS Fund

Citadel Multi-Sector Income Fund

Series S-1 Income Fund

Citadel Income & Growth Fund

Income & Equity Index Participation Fund

Energy Plus Income Trust

Citadel Stable S-1 Income Fund

Sustainable Production Energy Trust

Equal Weight Plus Fund

Citadel HYTES Fund

ANNUAL REPORT 2005

Citadel HYTES Fund

Citadel HYTES Fund (the "Fund" or "Citadel HYTES") is a closed-end investment trust which became listed on the Toronto Stock Exchange on April 11, 2001. The Fund has a termination date of December 31, 2011, or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust.

On November 15, 2005, the Fund completed a unit split on a 2 for 1 basis, thus all per unit information has been restated to reflect the unit split. During 2005, the Fund paid monthly cash distributions of \$0.13 per unit for the first eleven months before increasing the monthly cash distribution to \$0.14 per unit in December 2005 for a total of \$1.57 per unit (2004 - \$1.935 per unit). The 2004 distributions included a special cash distribution of \$0.375 per unit for unitholders of record on December 31, 2004 in addition to the regular monthly distributions. For tax purposes, 2005 distributions were allocated as 52.0% other taxable income, 4.3% dividend income, 35.3% capital gains and 8.4% return of capital.

INVESTMENT HIGHLIGHTS:

	2005	2004	2003
Net Asset Value per Unit ⁽¹⁾	\$ 18.29	\$ 17.53	\$ 15.74
Market Price per Unit ⁽¹⁾	\$ 17.32	\$ 17.08	\$ 14.98
Trading Premium (Discount)	(5.3%)	(2.6%)	(4.9%)
Cash Distributions per Unit	\$ 1.570	\$ 1.935	\$ 1.570
Trailing Yield ⁽²⁾	9.1%	11.3%	10.5%
Market Capitalization (\$ millions)	\$ 186.6	\$ 189.0	\$ 168.0

⁽¹⁾ Net asset value and market price per unit are based on year end values.

⁽²⁾ Trailing yield is based on the 12 months cash distributions declared in each year expressed as a percentage of year end market price.

Stock Symbol	CHF.un (TSX)
2005 High/Low	\$17.98 - \$14.50
2005 Cash Distribution	\$1.57 per unit
2005 Taxable % ⁽³⁾	72.5%
2005 Total Return ⁽⁴⁾	11.3%
2005 Management Expense Ratio	2.1%

⁽³⁾ Taxable percentage is based on all other taxable income, two-thirds of dividend income and one-half of capital gains expressed as a percentage of total distributions.

⁽⁴⁾ Total return is based upon the Fund's change in market price plus the reinvestment of cash distributions in additional units of the Fund.

Management Report of Fund Performance

(April 6, 2006)

This annual report includes both the annual management report of fund performance, containing financial highlights, and the complete annual financial statements of Citadel HYTES Fund (the "Fund" or "Citadel HYTES").

Unitholders may contact us by calling toll-free 1-877-261-9674 or by visiting our website at www.citadelfunds.com to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

Citadel HYTES' investment objectives are to provide its unitholders with stable, sustainable and tax advantaged distributions and to return the invested capital at the end of the Fund's life. In order to achieve these objectives, the Fund's investment manager actively manages a diversified portfolio of oil & gas royalty trusts, real estate investment trusts, income funds, limited partnerships, Canadian high yielding investment grade debt and income yielding equity securities.

RISK

There are a number of risks associated with an investment in Citadel HYTES. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates and interest rates and include general business operation risks, any of which may affect the issuers' income and as a result reduce distributions to its unitholders and the value of its units. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks. During 2005, the Fund reduced its weighting in the interest rate sensitive utility and infrastructure investments as interest rates climbed throughout the year and reduced its holdings of a number of issuers that had become overvalued in the opinion of the Fund's investment manager.

RESULTS OF OPERATIONS

Citadel HYTES grew its net asset value primarily on the strength of its oil and gas royalty trust positions despite periods of market weakness during the second and fourth quarters of 2005. The Fund's net asset value closed 2005 at \$197.1 million up marginally from \$194.0 million at the end of 2004. On a per unit basis, net asset value climbed to \$18.29 per unit at December 31, 2005 from \$17.53 per unit at the end of 2004 as overall portfolio valuations increased and unit repurchases at discounts to net asset value helped boost the Fund's net asset value per unit. On November 15, 2005, the Fund completed a unit split on a 2 for 1 basis and as a result all per unit information has been restated to reflect the unit split.

The Fund's market price also closed slightly higher in 2005 at \$17.32 per unit compared to the 2004 closing price of \$17.08 per unit. Citadel HYTES's unit price appreciation plus monthly cash distributions produced a 11.3% total return for 2005, while the Fund generated a 14.5% total return on a net asset value basis. By comparison, the S&P/TSX Income Trust Index increased by 31.0% in 2005.

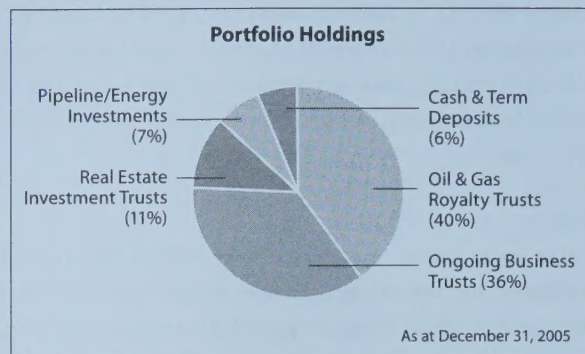
Total revenue for the year was \$18.7 million compared to \$18.2 million for 2004. Revenue rose in 2005 due to the Fund being more fully invested throughout the year and increased distribution income from the oil and gas royalty trusts. Administrative and investment manager fees, payable in units of the Fund, totaled \$2.4 million in 2005, up slightly from \$2.3 million in 2004 due to a higher net asset value year over year. Trailer fees, totaling \$0.77 million for 2005, were also up slightly from the previous year's total of \$0.72 million due to the higher net asset value. Total general and administration costs, including other expenses, totaled \$0.39 million for the year which was down from \$0.52 million in 2004 due to costs associated with a special meeting of unitholders held in March 2004. Loan interest costs increased

to \$0.50 million in 2005 from \$0.47 million in 2004 as interest rates rose over 2005. The Fund maintained \$13.5 million of leverage on its term facility throughout 2004 and 2005. After total expenses of \$4.1 million in 2005 (\$4.0 million in 2004), the Fund generated net investment income of \$14.6 million compared to \$14.2 million in 2004.

During 2005, Citadel HYTES paid distributions to unitholders of \$17.2 million or \$1.57 per unit compared to \$21.4 million or \$1.935 per unit in 2004. Distributions in 2004 included a special year end distribution of \$0.375 per unit.

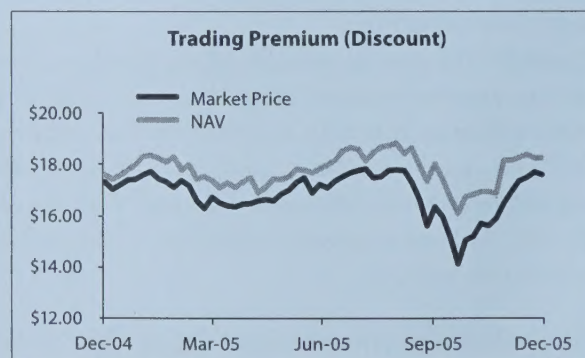
The Fund realized significant capital gains during 2005, however these gains were substantially offset by large losses on dispositions of Heating Oil and SFK Pulp. Net realized gains of \$0.9 million (2004 - \$7.5 million) plus the change in unrealized gains of \$9.6 million (2004 - \$19.5 million) produced total results of operations of \$25.1 million or \$2.29 per unit in 2005 compared to \$41.1 million or \$3.71 per unit in 2004.

Overall, the Fund increased its weighting in the ongoing business trust sector and oil and gas royalty trusts and decreased its weighting in cash and the more interest rate sensitive utility and infrastructure trusts. The Fund's portfolio mix was not optimal in 2005. As compared to the sector weightings of the S&P/TSX Income Trust Index, the Fund was underweight in both the strong performing energy and real estate investment trust ("Reit") sectors. The Fund's investment manager elected to moderate the Fund's exposure to volatile commodity prices by limiting the Fund's weighting in energy compared to the energy weighting for the Index. The investment manager also chose to underweight Reits, pipeline and power generation investments in order to mitigate the negative effects of an increasing interest rate environment. As a result of a combination of the Fund's cash position, its underweight position in energy and Reits relative to the Index and its position in a number of underperforming business trusts, the Fund's performance trailed the Index.



TRADING PREMIUM / DISCOUNT TO NET ASSET VALUE

Over the past year, the Fund's market price traded at an average discount to its net asset value per unit of 5.2% compared to an average discount of 4.3% in 2004. With the widening discount, the Fund was required to repurchase 430,520 units at an average cost of \$16.91 per unit under its mandatory repurchase program in 2005 compared to 293,974 units at an average cost of \$15.28 per unit in 2004. Under the Fund's mandatory repurchase program, the Fund is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.



RECENT DEVELOPMENTS

The current combination of a strong Canadian economy, low inflation, high commodity prices and relatively low interest rates provide a favorable environment and a positive outlook for the income trust sector. Citadel HYTES expects to maintain its recently increased monthly distribution rate of \$0.14 per unit (previously \$0.13 per unit) for 2006 on a post 2 for 1 stock split basis based upon the Fund's current portfolio and analysts' estimates of distributions.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations, including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange, stock market volatility, and market valuations of income and royalty trusts. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of these events anticipated by the forward looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, that we will derive therefrom.

RELATED PARTY TRANSACTIONS

Citadel TEF Management Ltd. is the administrator of Citadel HYTES, which is a member of the Citadel Group of Funds. CIFSG Funds Inc. provides administrative services to the administrators of the Citadel Group of Funds on a cost recovery basis. All non-fund specific costs are allocated among the Citadel Group of Funds on a relative net asset value basis.

Pursuant to the administrative services agreement, administrative and investment management fees are based upon 1.1% of the average weekly net asset value of the Fund, payable in units monthly in arrears. The administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help the reader understand the Fund's financial performance for the past 5 years. This information is derived from the Fund's audited annual financial statements.

Net Asset Value per Unit

	2005	2004	2003	2002	2001 ⁽¹⁾
NAV, beginning of year	\$ 17.53	\$ 15.74	\$ 13.42	\$ 12.33	\$ 11.78
Increase (decrease) from operations:					
Total revenue	1.71	1.65	1.82	1.71	1.07
Total expenses	(0.38)	(0.37)	(0.31)	(0.30)	(0.17)
Realized gains (losses)	0.09	0.68	0.45	0.73	0.01
Unrealized gains (losses)	0.87	1.75	1.94	0.51	0.55
Total increase (decrease) from operations	2.29	3.71	3.90	2.65	1.46
Distributions:					
From net investment income	1.54	1.47	1.57	1.56	0.91
From capital gains	0.03	0.47	–	–	–
Total annual distributions	1.57	1.94	1.57	1.56	0.91
NAV, end of year	\$ 18.29	\$ 17.53	\$ 15.74	\$ 13.42	\$ 12.33

⁽¹⁾ The Fund commenced operations on April 11, 2001.

Net asset value ("NAV") and cash distributions are based on the actual number of units outstanding at the time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of NAV since it does not reflect unitholder transactions as shown on the Statement of Changes in Net Assets and accordingly columns may not add.

Ratios and Supplemental Data

	2005	2004	2003	2002	2001
Net assets (\$000's)	\$ 197,054	\$ 194,048	\$ 176,599	\$ 149,768	\$ 136,004
Number of units outstanding	10,775,966	11,066,948	11,219,770	11,164,238	11,035,368
Management expense ratio	2.12%	2.20%	2.20%	2.25%	1.96%
Portfolio turnover ratio	11.45%	12.97%	20.60%	30.03%	3.79%
Trading expense ratio	0.04%	0.06%	0.08%	0.10%	0.27%
Closing market price	\$ 17.32	\$ 17.08	\$ 14.98	\$ 13.40	\$ 13.50

Management expense ratio is based on total expenses for the period and is expressed as an annualized percentage of weekly average net assets during the period.

Portfolio turnover ratio is based on the lesser of cost of purchases or proceeds of disposition and is expressed as a percentage of the monthly average portfolio value.

Trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

MANAGEMENT FEES

Pursuant to the administrative services agreement, administrative and investment management fees are based upon 1.1% of the aggregate of the average weekly net asset value of the Fund payable in units monthly in arrears. Bloom Investment Counsel, Inc., as investment manager to the Fund, provides investment management services to the Fund in exchange for its share of the management fee. These fees represent payment for the administrative and investment management services provided to the Fund.

PAST PERFORMANCE

Citadel HYTES' performance numbers from inception in April 2001 to December 31, 2005 are based upon the Fund's change in market price plus the reinvestment of all distributions in additional units of the Fund. The Fund's historical performance does not necessarily indicate how it will perform in the future.

ANNUAL COMPOUND RETURNS

In the table below are the annual compound returns for the periods ended December 31, 2005 for Citadel HYTES based on market price and net asset value with comparison to the S&P/TSX Capped Income Trust Index.



	1 Year	3 Year	Since inception
Citadel HYTES (market price)	11.3%	21.5%	19.5%
Citadel HYTES (net asset value)	14.5%	23.6%	22.4%
S&P/TSX Capped Income Trust Index	31.0%	31.9%	25.1%

SUMMARY OF INVESTMENT PORTFOLIO

The Fund's portfolio as at December 31, 2005 and 2004 consisted of the following subgroups:

	2005	2004
Oil & Gas Royalty Trusts	39.7%	30.0%
Ongoing Business Trusts	36.3%	33.0%
Real Estate Investment Trusts	11.1%	9.0%
Pipeline/Energy Investments	6.7%	8.5%
Cash and Term Deposits	6.2%	19.5%
Total Investments	100.0%	100.0%

The top 25 holdings as at December 31, 2005 are as follows:

ARC Energy Trust	8.0%	Cineplex Galaxy Income Fund	2.8%
Vermilion Energy Trust	5.7%	Superior Plus Income Fund	2.6%
Davis + Henderson Income Fund	4.4%	Bonavista Energy Trust	2.4%
Paramount Energy Trust	4.3%	Morguard Reit	2.3%
Shiningbank Energy Income Fund	4.2%	Medical Facilities Corporation	2.2%
Energy Savings Income Fund	4.1%	The Brick Group Income Fund	2.1%
Enerplus Resources Fund	4.0%	InnVest Reit	2.1%
TransForce Income Fund	3.8%	Rogers Sugar Income Fund	1.9%
Viking Energy Royalty Trust	3.7%	Livingston International Income Fund	1.9%
Summit Reit	3.5%	Esprit Energy Trust	1.9%
Entertainment One Income Fund	2.9%	New Flyer Industries Inc.	1.8%
NAL Oil & Gas Trust	2.8%	KCP Income Fund	1.7%
Acclaim Energy Trust	2.8%	% of Total Portfolio	79.8%

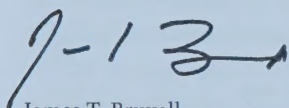
Management's Responsibility Statement

The financial statements of Citadel HYTES Fund have been prepared by Citadel TEF Management Ltd. ("CTEF") and approved by the Board of Directors of CTEF. CTEF is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

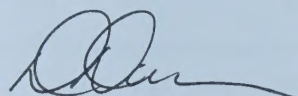
CTEF maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CTEF is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the independent directors of the Board.

The Audit Committee on behalf of CTEF and its Board of Directors has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.



James T. Bruvall
Chief Executive Officer
Citadel TEF Management Ltd.
April 6, 2006



Darren K. Duncan
Chief Financial Officer
Citadel TEF Management Ltd.

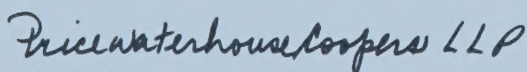
Auditors' Report to Unitholders

To the Unitholders of Citadel HYTES Fund

We have audited the statements of net assets and investments of Citadel HYTES Fund as at December 31, 2005 and 2004 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2005 and 2004 and the results of its operations, changes in its net assets and cash flows for the years ended December 31, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.



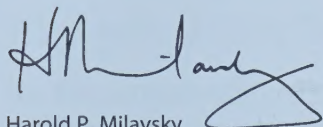
Chartered Accountants
Calgary, Alberta
March 10, 2006

Statement of Net Assets

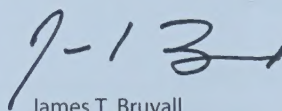
As at December 31,	2005	2004
Assets		
Investments, at market	\$ 197,235,366	\$ 170,214,235
Cash and term deposits	13,183,724	41,277,982
Revenue receivable	1,567,078	1,436,583
Prepaid expenses	163,839	334,215
Accounts receivable	96,102	62,323
	212,246,109	213,325,338
Liabilities		
Accounts payable and accrued liabilities	183,193	188,138
Distributions payable	1,508,635	5,588,809
Loan payable (note 8)	13,500,000	13,500,000
	15,191,828	19,276,947
Net Assets representing Unitholders' Equity	\$ 197,054,281	\$ 194,048,391
Units outstanding (note 3)	10,775,966	11,066,948
Net asset value per unit	\$ 18.29	\$ 17.53

see accompanying notes

Signed on behalf of the Board,



Harold P. Milavsky
Chairman of the Board



James T. Bruvall
Director and Chief Executive Officer

Statement of Operations

Years Ended December 31,	2005	2004
Revenue		
Distribution income	\$ 16,751,614	\$ 16,974,335
Interest income	1,948,367	1,219,922
	18,699,981	18,194,257
Expenses		
Administrative and investment manager fees (note 4)	2,446,761	2,288,451
Trailer fee (note 5)	774,350	724,232
Loan interest	497,974	468,282
General and administration costs	180,736	256,138
Director's fees	83,121	79,391
Reporting costs	58,975	71,802
Audit fees	23,375	22,745
Custodial fees	20,190	34,090
Trustee fees	16,761	22,505
Legal fees	10,483	37,044
	4,112,726	4,004,680
Net investment income	14,587,255	14,189,577
Net realized gain on sale of investments (note 6)	947,979	7,506,099
Net change in unrealized gain on investments	9,578,299	19,453,323
Total results of operations	\$ 25,113,533	\$ 41,148,999
Results of operations per unit ⁽¹⁾		
Net investment income	\$ 1.33	\$ 1.28
Net realized gain on sale of investments	0.09	0.68
Net change in unrealized gain on investments	0.87	1.75
	\$ 2.29	\$ 3.71

⁽¹⁾ Based on the weighted average number of units outstanding.

see accompanying notes

Statement of Changes in Net Assets

Years Ended December 31,	2005	2004
Net Assets – beginning of year	\$ 194,048,391	\$ 176,599,393
Operations:		
Net investment income	14,587,255	14,189,577
Net realized gain on sale of investments	947,979	7,506,099
Net change in unrealized gain on investments	9,578,299	19,453,323
	25,113,533	41,148,999
Unitholder Transactions:		
Issuance of trust units, net	2,349,171	2,201,259
Repurchase of trust units	(7,278,110)	(4,493,027)
	(4,928,939)	(2,291,768)
Distributions to Unitholders: (note 7)		
From net investment income	(16,936,436)	(16,390,836)
From capital gains	(242,268)	(5,017,397)
	(17,178,704)	(21,408,233)
Net Assets – end of year	\$ 197,054,281	\$ 194,048,391
Distributions per unit	\$ 1.570	\$ 1.935

see accompanying notes

Statement of Cash Flows

Years Ended December 31,	2005	2004
Cash flows from operating activities:		
Net investment income	\$ 14,587,255	\$ 14,189,577
Fees paid in trust units	2,349,171	2,201,264
Net change in non-cash working capital	(4,079,018)	4,156,894
Purchase of investments	(40,414,285)	(25,465,510)
Proceeds from sale of investments	23,919,433	50,353,065
	(3,637,444)	45,435,290
Cash flows from financing activities:		
Cash distributions to unitholders	(17,178,704)	(21,408,233)
Repurchase of trust units	(7,278,110)	(4,493,027)
	(24,456,814)	(25,901,260)
Net increase (decrease) in cash and term deposits	(28,094,258)	19,534,030
Cash and term deposits, beginning of year	41,277,982	21,743,952
Cash and term deposits, ending of year	\$ 13,183,724	\$ 41,277,982

see accompanying notes

Statement of Investments

	December 31, 2005				December 31, 2004			
	Number of Units Held	Cost	Market Value	% of Market	Number of Units Held	Cost	Market Value	% of Market
Oil & Gas Royalty Trusts								
Acclaim Energy Trust	310,798	\$ 3,749,251	\$ 5,889,622		310,798	\$ 3,749,251	\$ 4,475,491	
Advantage Energy Income Fund	—	—	—		200,000	1,545,070	4,402,000	
ARC Energy Trust	635,000	7,815,455	16,821,150		800,000	9,846,243	14,320,000	
Baytex Energy Trust	—	—	—		100,000	1,202,000	1,277,000	
Bonavista Energy Trust	130,000	3,217,580	4,953,000		87,900	1,978,493	2,382,090	
Enerplus Resources Fund	150,000	4,041,325	8,379,000		150,000	4,041,325	6,540,000	
Esprit Energy Trust	300,000	3,446,308	4,038,000		—	—	—	
NAL Oil & Gas Trust	329,100	3,333,670	5,950,128		250,000	2,250,000	3,387,500	
Paramount Energy Trust	410,000	4,959,586	9,089,700		410,000	4,959,586	6,535,400	
Shiningbank Energy Income Fund	300,000	4,657,314	8,745,000		300,000	4,657,314	6,447,000	
Vermilion Energy Trust	400,000	5,658,973	11,896,000		400,000	5,658,973	8,048,000	
Viking Energy Royalty Trust	850,000	5,227,875	7,820,000		850,000	5,227,875	5,737,500	
		46,107,337	83,581,600	39.7%		45,116,130	63,551,981	30.0%
Ongoing Businesss Trusts								
The Brick Group Income Fund	475,000	4,793,700	4,422,250		475,000	4,750,000	6,631,000	
Chemtrade Logistics Income Fund	240,000	2,400,000	2,565,600		240,000	2,400,000	4,872,000	
Cineplex Galaxy Income Fund	396,500	3,968,124	5,788,900		396,500	3,968,124	5,828,550	
Clearwater Seafoods Income Fund	777,118	3,186,684	2,914,192		—	—	—	
Custom Direct Income Fund	265,000	2,650,000	2,610,250		265,000	2,650,000	3,047,500	
Davis + Henderson Income Fund	400,000	4,129,467	9,276,000		400,000	4,129,467	9,080,000	
Entertainment One Income Fund	1,210,900	7,536,705	6,054,500		309,300	3,102,379	3,674,484	
Great Lakes Carbon Income Fund	351,000	3,671,897	3,545,100		309,400	3,151,897	3,341,520	
IBI Income Fund	350,000	3,500,000	3,482,500		350,000	3,500,000	3,937,500	
KCP Income Fund	400,000	4,109,575	3,680,000		—	—	—	
Livingston International Income Fund	180,000	1,800,000	4,050,000		180,000	1,800,000	4,041,000	
Medical Facilities Corporation	402,100	4,040,225	4,604,045		402,100	4,040,225	4,865,410	
New Flyer Industries Inc.	400,000	4,000,000	3,760,000		—	—	—	
Prizm Canadian Income Fund	285,000	2,850,000	2,707,500		285,000	2,850,000	4,212,300	
Rogers Sugar Income Fund	1,100,000	4,209,000	4,070,000		1,100,000	4,209,000	4,950,000	
SFK Pulp Fund	—	—	—		610,000	5,772,404	4,422,500	
Specialty Foods Group Income Fund	1,111,000	2,900,199	3,010,810		—	—	—	
Spinrite Income Fund	290,400	3,135,940	1,812,096		—	—	—	
TransForce Income Fund	467,684	4,148,165	7,978,673		453,000	3,894,502	6,899,190	
		67,029,681	76,332,416	36.3%		50,217,998	69,802,954	33.0%
Real Estate Investment Trusts								
Huntingdon Reit	1,125,000	3,093,750	3,093,750		—	—	—	
InnVest Reit	345,000	3,010,470	4,326,300		345,000	3,010,470	4,105,500	
Morguard Reit	442,500	3,717,339	4,867,500		442,500	3,717,339	4,557,750	
O & Y Reit	—	—	—		350,000	3,500,000	4,935,000	
Primaris Retail Reit	220,000	3,036,191	3,594,800		—	—	—	
Summit Reit	300,000	4,156,200	7,371,000		300,000	4,156,200	5,406,000	
		17,013,950	23,253,350	11.1%		14,384,009	19,004,250	9.0%
Pipeline/Energy Investments								
Energy Savings Income Fund	450,000	1,125,000	8,545,500		450,000	1,125,000	8,662,500	
Heating Oil Partners Income Fund	—	—	—		299,000	2,990,000	2,137,850	
Superior Plus Income Fund	235,000	3,538,193	5,522,500		235,000	3,538,193	7,054,700	
		4,663,193	14,068,000	6.7%		7,653,193	17,855,050	8.5%
Investments								
		134,814,161	197,235,366	93.8%		117,371,330	170,214,235	80.5%
Cash and Term Deposits								
		13,183,724	13,183,724	6.2%		41,277,982	41,277,982	19.5%
Total		\$ 147,997,885	\$ 210,419,090	100.0%		\$ 158,649,312	\$ 211,492,217	100.0%

All portfolio holdings are trust units, except the following: Medical Facilities Corporation – income participating security; New Flyer Industries Inc. – income deposit security.

Notes to Financial Statements

December 31, 2005 and 2004

1. STRUCTURE OF THE FUND

Citadel HYTES Fund (the "Fund" or "Citadel HYTES") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of February 27, 2001. The Fund commenced operations upon completion of its initial public offering on April 11, 2001. The term of the Fund continues until December 31, 2011 in accordance with the provisions of the Fund's Declaration of Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates. The following is a summary of the significant accounting policies.

(a) Cash and cash equivalents

Cash consists of cash on hand and short term bankers' acceptances with maturities of less than 90 days on acquisition.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada). As all taxable income was allocated to the unitholders in 2005 and 2004, no provision for income taxes has been made in these financial statements.

(d) Investment income

Dividend income is recorded on the ex-dividend date, interest is recognized as earned and distribution income is recorded on the ex-distribution date. Capital gains and losses are recorded on the trade date.

(e) Financial instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, prepaid expenses, revenue receivable, accounts receivable, accounts payable and accrued liabilities, distributions payable and loan payable approximate their carrying amount due to the short-term maturity of these instruments.

3. UNITHOLDERS' CONTRIBUTION

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Issued and outstanding	2005		2004	
	Number	Amount	Number	Amount
Trust units – beginning of year	11,066,948	\$ 130,153,301	11,219,770	\$ 132,445,069
Issued for services (note 4)	139,538	2,349,171	141,152	2,201,259
Repurchase of units	(430,520)	(7,278,110)	(293,974)	(4,493,027)
Trust units – end of year	10,775,966	\$ 125,224,362	11,066,948	\$ 130,153,301

On November 15, 2005, the Fund completed a unit split on a 2:1 basis. All comparative information has been adjusted to reflect this unit split. The weighted average number of units outstanding in 2005 was 10,965,671 (2004 – 11,074,722 units).

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% in each calendar quarter of the total number of units outstanding at the beginning of such quarter. During 2005, Citadel HYTES repurchased 430,520 trust units under this program at an average cost of \$16.91 per unit (2004 – 293,974 units at an average cost of \$15.28 per unit).

4. ADMINISTRATIVE AND INVESTMENT MANAGER FEES/DIRECTORS' FEES

Citadel TEF Management Ltd. ("CTEF") is the administrator of the Fund and Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administrative and investment management fees are based upon 1.1% of the aggregate of the average weekly net asset value of the Fund payable in units monthly in arrears. During 2005, a total of 135,712 units were issued pursuant to these agreements (2004 - 137,112 units) and the Fund recorded an expense of \$2,446,761 (2004 - \$2,288,451) in respect of the administrative and investment management fees during the year. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. Included in accounts receivable were amounts owed from CTEF of \$96,102 at December 31, 2005 (2004 - \$62,323 in accounts receivable).

Directors of CTEF received a total of 3,826 units in 2005 (2004 - 4,040 units) as payment for their annual retainers.

5. TRAILER FEE

Citadel HYTES pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. During 2005, the Fund recorded an expense of \$774,350 (2004 - \$724,232) relating to the trailer fee.

6. INVESTMENTS

The net realized gain on the sale of investments was determined as follows:

	2005	2004
Net proceeds from the sale of securities	\$ 23,919,433	\$ 50,353,065
Less cost of securities sold:		
Investments at cost - beginning of year	117,371,330	134,752,786
Investments purchased during year	40,414,285	25,465,510
Investments at cost - end of year	(134,814,161)	(117,371,330)
Cost of investments disposed of during year	22,971,454	42,846,966
Net realized gain on sale of investments	\$ 947,979	\$ 7,506,099

7. CASH DISTRIBUTIONS

The Fund pays out monthly cash distributions based upon cash distributions received by the Fund less estimated expenses. In 2004, the Fund also distributed a portion of its realized gains by way of a special cash distribution of \$0.375 per unit to unitholders of record on December 31, 2004.

	2005	2004
Net investment income for the year	\$ 14,587,255	\$ 14,189,577
Add fees paid by issuance of units	2,349,171	2,201,259
Capital distributed	242,278	5,017,397
Cash distributions	\$ 17,178,704	\$ 21,408,233
Cash distributions per unit	\$ 1.570	\$ 1.935

8. LOAN PAYABLE

The Fund maintains a credit facility with a Canadian chartered bank for up to a maximum amount of \$23.5 million of which \$13.5 million relates to a term facility and \$10.0 million relates to an operating facility. The term facility was fully drawn as at December 31, 2005 and 2004 and is due and payable on the earlier of December 31, 2006 or termination of the Fund. The operating facility is available until December 31, 2006. Borrowings are collateralized by a general security agreement which provides a first floating charge over the Fund's assets. The term and operating credit facilities bear interest at the bank's prime lending rate or at rates slightly below prime if incurred by way of bankers' acceptances.

9. BROKER COMMISSIONS

The Fund paid commissions to brokers of \$77,688 in 2005 (2004 - \$114,697) in relation to the purchase and sale of investments.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

Corporate Information

Administrators

Citadel Diversified Management Ltd.
Citadel S1 Management Ltd.
Citadel TEF Management Ltd.
Citadel CPRT Management Ltd.
MYDAS Management Inc.
Citadel Multi-Sector Management Inc.
Citadel Series Management Ltd.
Citadel IG Management Ltd.
Equity Lift Management Ltd.
N.A. Energy Management Inc.
Stable Yield Management Inc.
Sustainable PE Management Inc.
Equal Weight Management Ltd.
Suite 3500, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Telephone: (403) 261-9674
Toll Free: 1 877 261-9674
Fax: (403) 261-8670
Website: www.citadelfunds.com
Email: info@citadelfunds.com

Directors and Officers

Harold P. Milavsky - Chairman of the Board
Paul L. Waitzer - Director
Doug D. Baldwin - Director
Kent J. MacIntyre - Director
James T. Bruvall - Director and Chief Executive Officer
Darren K. Duncan - Chief Financial Officer

Investment Manager

(CTD.un, SDL.un, CHF.un, CRT.un, MYF.un,
CMS.un, SRC.un, CIF.un and CSR.un)
Bloom Investment Counsel, Inc.
Suite 1710, 150 York Street
Toronto, Ontario M5H 3S5

Investment Manager

(EPF.un and SPU.un)
Galileo Equity Management Inc.
161 Bay Street, Suite 4730
Toronto, Ontario M5J 2S1

Rebalancing Advisor

(IEP.un and EQW.un)
Shaunessy Investment Counsel
Suite 504, 933-17th Avenue S.W.
Calgary, Alberta T2T 5R6

Trustee

Computershare Trust Company of Canada
Sixth Floor
530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Custodian

CIBC Mellon Global Securities Services Company
320 Bay Street, 6th Floor
Toronto, Ontario M5H 4A6

Legal Counsel

Stikeman Elliott LLP
4300 Bankers Hall West
888 - 3rd Street S.W.
Calgary, Alberta T2P 5C5

Auditors

PricewaterhouseCoopers LLP
3100, 111 - 5th Avenue S.W.
Calgary, Alberta T2P 5L3

Stock Exchange Listings

The Toronto Stock Exchange
Citadel Diversified Investment Trust units: **CTD.un**
Citadel S-1 Income Trust Fund units: **SDL.un**
Citadel HYTES Fund units: **CHF.un**
Citadel SMaRT Fund units: **CRT.un**
MYDAS Fund units: **MYF.un**
Citadel Multi-Sector Income Fund units: **CMS.un**
Series S-1 Income Fund units: **SRC.un**
Citadel Income & Growth Fund units: **CIF.un**
Income & Equity Index Participation Fund units: **IEP.un**
Energy Plus Income Trust units: **EPF.un**
Citadel Stable S-1 Income Fund units: **CSR.un**
Sustainable Production Energy Trust units: **SPU.un**
Equal Weight Plus Fund units: **EQW.un**



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